

Debt Market Sentiment and Lender Survey (1Q 2010) – The Ackman-Ziff Real Estate Group, LLC

Lender Appetite

- Lenders continue to be selective
- Flight to quality. Concerns include near-term rollover, tenant financials, market vs. in-place rents and vacancy/absorption
- Evolving market for financing note purchases - broader appetite for cash-flowing assets across all major asset classes

Lender Underwriting Approach

- Property fundamentals continue to decline putting pressure on CRE values, maturity and performance defaults
- Underwriting in-place cash flows with little to no credit for existing vacancy
- For-sale residential, hospitality and discretionary retail under pressure

Availability of Debt Capital

- Over \$20 billion of “new capital” (public and private) available to support debt financing market
- Whispers of non-TALF securitization (1stQ 2010) by commercial/investment banks
- Life Insurance companies continue to be very selective, low leverage, focus on high quality assets in primary markets with steady long term cash-flow
- Foreign Banks focused on institutional quality, cash-flowing assets in major markets for “best in class” sponsors
- Money center banks remain active on smaller loan balances with existing clients on cash flowing assets; banks are typically seeking some level of recourse
- TALF has been extended through June 2010. REITS appear to be the primary recipient of TALF; however, aggressive pricing in the unsecured bond market may open TALF to “non-REIT” CMBS issuances

2010 LENDER SURVEY (1st Quarter 2010)

INSTITUTION	LENDERS IN THE MARKET		
	LOAN AMOUNT	TERM (yrs)	RATE
INSURANCE CO'S.	\$2,000,000 -	\$150,000,000 7 - 10	6.5% - 8.5%
FOREIGN BANKS	\$25,000,000 -	\$75,000,000 2 - 5	4.5% - 7.5%
COMM / INV'T BANKS	\$10,000,000 -	\$75,000,000 5 - 10	5.5% 8.0%
DOMESTIC BANKS	\$500,000 -	\$40,000,000 3 - 5	4.5% - 7.25%
PENSION FUNDS	\$10,000,000 -	\$35,000,000 5	7.25% - 9.25%
PRIVATE LENDERS	\$2,000,000 -	\$70,000,000 2 - 5	7.5% - 15.0%

Based on general market conditions and information gathered over the last 90 days.

Joint Venture Equity Survey / Market Sentiment (1Q 2010) -The Ackman-Ziff Real Estate Group, LLC

Investor Appetite & Sentiment

- Eager to learn about investment opportunities / biased to investing (some more than others) but remain highly disciplined
- Anticipate significant volume of opportunities but expect “bargain-basement” deals for top quality assets to remain elusive
- Purchase debt and/or property in distress / none to limited development
- Purchase property at discount to intrinsic value / low basis to market
- Strong cash-on-cash yield
- Highly selective / flight to quality
- Equity capital is king – treated like a precious commodity

Investor Total Return Target

- Trending to HIGHER total return targets
 - Value-add: 18-20% IRR average range / multiple focused
 - Opportunistic: 22-25% IRR average range / multiple focused
- Some investors are more willing than others to recognize capital accounts and provide favorable promote structures for compelling deals
- More sponsor co-investment capital required

Investor Underwriting Approach

- Trending to CONSERVATIVE underwriting approach
- In-place durable cash flow is critical (ideally with upside opportunity)
- Not underwriting vacancy
- Operating and leasing assumptions stressed-tested more rigorously
- Capitalization rates mean reverting upward
- Limited reliance on leverage

Equity Capital Availability

- Trending to LOWER effective availability of equity capital
- New fund raising very challenging
- Fund legacy issues and LP liquidity issues
- Newer funds and funds without legacy issues – first to invest